APPENDIX.

Revenue Act 1934, c. 277, 48 Stat. 680:

SEC. 602½. PROCESSING TAX ON CERTAIN OILS.

(a) There is hereby imposed upon the first domestic processing of coconut oil, seasame oil, palm oil, palm kernel* oil, or sunflower oil, or of any combination or mixture containing a substantial quantity of any one or more of such oils with respect to any of which oils there has been no previous first domestic processing, a tax of 3 cents per pound, to be paid by the processor. There is hereby imposed (in addition to the tax imposed by the preceding sentence) a tax of 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic processing, except that the tax imposed by this sentence shall not apply when it is established, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that such coconut oil (whether or not contained in such a combination or mixture), (A) is wholly the production of the Philippine Islands or any other possession of the United States, or (B) was produced wholly from materials the growth or production of the Philippine Islands or any other possession of the United States, or (C) was brought into the United States on or before the 30th day after the date of the enactment of this Act or produced from materials brought into the United States on or before the 30th day after the date of enactment of this Act, or (D) was purchased under a bona fide contract entered into prior to April 26, 1934, or produced from materials purchased under a bona fide contract entered into prior to April 26, 1934. All taxes collected under this section with respect to coconut oil wholly of Philippine production or produced from materials wholly of

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* So in original.

Philippine growth or production, shall be held as a separate fund and paid to the Treasury of the Philippine Islands, but if at any time the Philippine Government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Philippine Treasury shall be made under this subsection. For the purposes of this section the term "first domestic processing" means the first use in the United States, in the manufacture or production of an article intended for sale, of the article with respect to which the tax is imposed, but does not include the use of palm oil in the manufacture of tin plate.

Revenue Act of 1936, c. 690, 49 Stat. 1648, 1742.

SEC. 702. PROCESSING TAX ON CERTAIN OILS.

(a) The first sentence of section 602½ of the Revenue Act of 1934 is amended to read as follows:

> "(a) There is hereby imposed upon the first domestic processing of coconut oil, palm oil, palm-kernel oil, fatty acids derived from any of the foregoing oils, salts of any of the foregoing (whether or not such oils, fatty acids, or salts have been refined, sulphonated, sulphated, hydrogenated, or otherwise processed), or any combination or mixture containing a substantial quantity of any one or more of such oils, fatty acids, or salts, a tax of 3 cents per pound to be paid by the processor, but the tax under this section shall not apply (1) with respect to any fatty acid or salt resulting from a previous first domestic processing taxed under this section or upon which an import tax has been paid under section 601 (c) (8) of the Revenue Act of 1932, as amended, or (2) with respect to any combination or mixture by reason of its containing an oil, fatty acid, or salt with resepect to which there has been a previous first domestic processing or upon which an import tax has been paid under such section 601 (c) (8)."

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Treasury Regulations 48, promulgated under the Revenue Act of 1934:

ARTICLE 1. *Definitions.*—When used in these regulations, the term—* * *.

(g) Oil or *oils* means coconut oil, sesame oil, palm oil, palm kernel oil, sunflower oil, or any combination or mixture containing a substantial quantity of any one or more of such oils with respect to any of which oils there has been no previous first domestic processing. "Combination or mixture" means an article in the formation of which any of the oils have been blended, conjoined, united, admixed, combined, amalgamated, embodied or merged, either by chemical or mechanical means, with or without the presence of any other substance, and which retains a substantial portion (10 per cent or more) of substantially all the essential components of any of the oil or oils entering into such combination or mixture. It includes articles in which any of the oil or oils have been subjected to preliminary processing outside the United States or before the effective date, or both, and in which substantially all of the components of such oil or oils are present, even though the oils themselves may no longer exist as such. "Substantial quantity" means ten (10) per cent or more, by weight, of the combination or mixture.

(h) Article processed wholly or in chief value from an article with respect to which a tax is imposed means any article made entirely from oil or oils, or any article made of two or more components, the oil or oils constituting a component having a value greater than that of any other component. An article is made from an oil or oils when the oil or oils, or any of their processed forms, have been used in making the article. In determining the value of the oil or oils as a component, the combined values of the oil or oils, and of every processed form thereof used in making the article, shall be the value of the oil or oils as a component.

(i) Effective date means May 10, 1934, beginning at 11:40 a. m., eastern standard time, at which time the tax became effective.

(j) Processing means the use of the oil or oils in the manufacture or production of an article intended for sale.

(k) Use has a very broad meaning. The term includes, among other things, the using or making use of, or employing, any one or more of the oils, or any combination or mixture of the oils, in any process, or any stage or step in the manufacture or production of an article intended for sale, and includes the manufacture or production of such article in its entirety, whether such oil is used as a component or constituent or ingredient of the article, or is used merely as a means or aid in the manufacture or production of the article, and not as a component or constituent or ingredient. Examples which are in no measure all inclusive of the *use* contemplated are:

(1) Bleaching, neutralizing, refining, deodorizing, hydrogenating, sulphonating, "twitchellizing," polymerizing, saponifying, or any other commercial processing or any combination of these commercial processings, if such process or combination of processes produces an article intended for sale.

(2) The entire process of manufacture or production of an article intended for sale, where any one or more of the above-enumerated processes are but incidental steps or stages in a continuous course of manufacture or production of the article.

(3) The manufacture or production of an article intended for sale from an oil or oils upon which any of the processes enumerated in (1), above, have been performed either (A) prior to the importation of the particular oil, or (B) prior to the effective date of the Act.

(4) The use of the oil or oils in connection with any process or stage of the manufacture or production of an article intended for sale, even though the oil is not consumed therein or does not become a component

material of the article so produced. But such a use of palm oil, by the processor, in the manufacture of tin plate is specifically excepted by the Act.

(l) First domestic processing means the first use in the United States on or after the effective date of the Act. At all times in these regulations, the term *processing* or *first domestic processing* will be deemed to be synonymous with "use" or "first use in the United States on or after the effective date," respectively, and will include the meanings implied in the latter terms by subdivision *(k)*, above.

ART. 2. *Nature of the tax.*—The tax is an excise, not a property tax. It is laid not upon the oils as such, or upon the sale of such oils, but only upon their *use*.

ART. 3. *Imposition of the tax.*—The tax is imposed only on the first domestic processing on or after the effective date of the Act. However, no tax is imposed on the use of palm oil, by the processor, in the manufacture of tin plate.

ART. 4. *When tax attaches.—(a)* The tax attaches upon the first domestic processing of the oil. If some part of the processing of a particular quantity of oil takes place on or after the effective date, the tax attaches notwithstanding that some part of the processing of such quantity took place before the effective date.

(b) If oil has been subjected to any of the processes, either prior to the importation of such oil or prior to the effective date, or both, the tax attaches to the first domestic processing of such oil, after the effective date, in the manufacture or production of an article intended for sale.

ART. 5. *Measure of the tax.*—The measure of the tax is the quantity of oil or oils (in pounds) put into process, that is, the amount of tax will be determined by the quantity of the oil or oils which, in any way, enters into the first domestic processing. If oil or oils which have been processed and upon which the tax has been paid are combined with oil

or oils upon which no tax has been paid, the measure of the tax on the processing of the combination or mixture so produced is the total quantity (in pounds) of such combination or mixture.